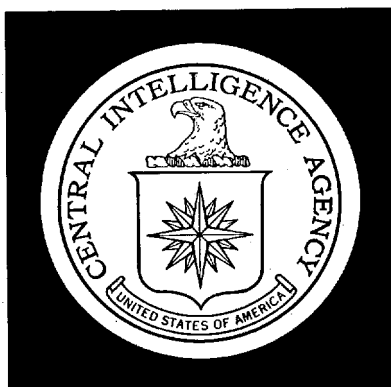


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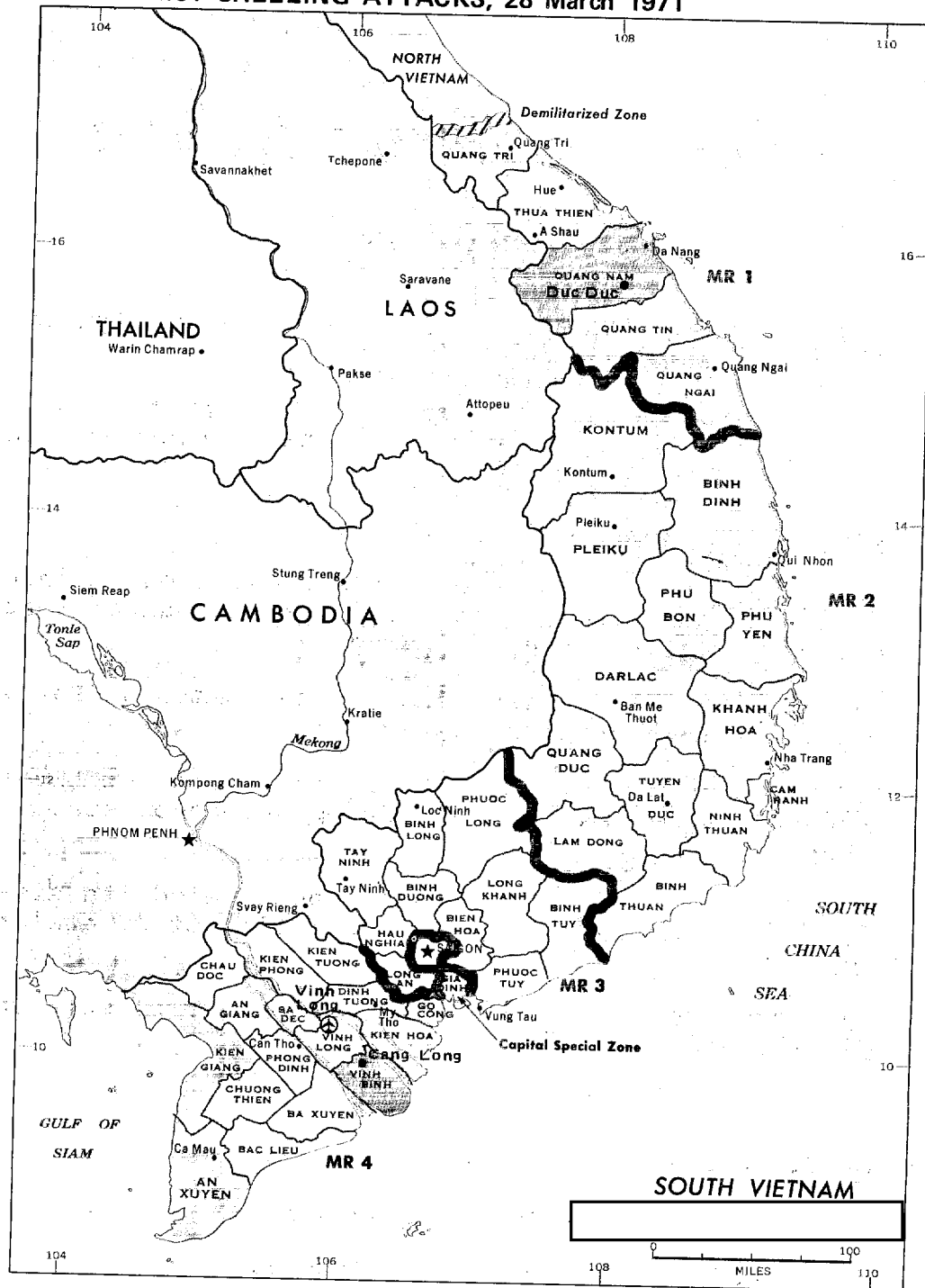
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COMMUNIST SHELLING ATTACKS, 28 March 1971



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SOUTH VIETNAM: The Communists' spring campaign is gathering momentum.

Enemy forces followed up their weekend attacks in the northern provinces by hitting Duc Duc, a district seat in Quang Nam Province early yesterday. Following a heavy mortar barrage, the town's weakened defenses were breached by the attackers. Thirteen South Vietnamese were killed, 21 were wounded, and 100 homes were burned.

The campaign also is spreading to the Mekong Delta. Cang Long, a district town in Vinh Binh Province was hit hard on 28 March. Following a 200-round mortar and grenade attack, an enemy force--probably a battalion of the Viet Cong D-3 Regiment--struck the town, killing 45 and wounding 72. The attackers left six of their dead behind. Other significant enemy attacks in the delta on 28-29 March included a 20-round mortar bombardment of a South Vietnamese regimental command post and a light shelling of the Vinh Long airfield. Enemy forces in this area have been lying low for most of the past year, employing tactics designed to conserve their personnel strength and supplies.

After an unusually quiet winter fighting season, the Communists apparently hope to stage a more impressive round of attacks this spring. They probably want to demonstrate that they can still initiate combat within South Vietnam despite the disruption of some of their supply lines and the fact that most of their main force combat units are tied up in Cambodia and Laos. Their attacks, however, are likely to be more scattered than in earlier campaigns and probably will not often occur simultaneously, because the decision to initiate individual actions this year is being left more to the discretion of local commanders.

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MALAYSIA-CHINA: Both Kuala Lumpur and Peking have been putting out feelers toward establishing informal relations.

The new Razak administration has been working hard to build up a nonaligned image, one objective of which would be greater acceptance by Peking. The Malaysians may hope that by cultivating Peking and demonstrating greater independence of the West they will be able to minimize Chinese propaganda support for Communist insurgents in Malaysia.

Earlier this year Peking offered flood relief funds to Kuala Lumpur and accepted a Malaysian request for a visit of a Chinese Communist dance troupe from Hong Kong.

The more forthcoming attitude toward Kuala Lumpur that is reflected in the Chinese actions probably springs from Peking's interest in obtaining a closer view of Malaysia's new image. The Chinese have so far pointedly avoided commenting on Razak's proposal for neutralization of Southeast Asia to be guaranteed by the major powers, including China. Peking probably also hopes through continued gestures of good will to influence Malaysia's approach to the China question, especially during this year's UN debate and vote on the issue.

There is no indication, however, how quickly either side will move toward establishing formal relations.

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PAKISTAN: Widely conflicting reports continue to obscure the situation in East Pakistan.

Both sides still claim success. It appears that widespread disorder continues in much of the province, and even if government claims of holding the cities are true, it is unlikely that the military yet controls the countryside. Ultimately, the army's success may well depend on whether it can control rural as well as urban areas.

In the meantime, pressure continues to mount in India for intervention. Mrs. Gandhi--in response to popular sentiment--has agreed to move a parliamentary motion of support for the "freedom struggle" in East Pakistan.

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In West Pakistan, the press continues to attack the US role, charging that Voice of America broadcasts are pro-East Pakistani.

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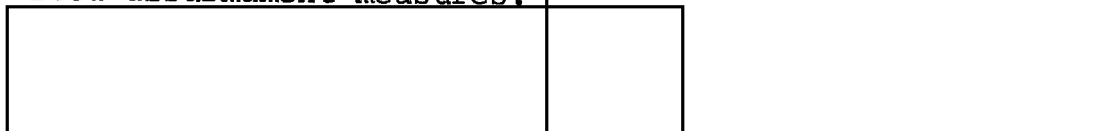
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ARMS CONTROL: An about-face by the Soviet Union has greatly improved the outlook for agreement on an international convention to control bacteriological weapons (BW).

Ambassador Roschin, chief of the Soviet delegation to the Geneva disarmament talks, told US Ambassador Leonard yesterday that the Warsaw Pact bloc would present a draft BW convention to the conferees today, thereby dropping its previous insistence on an all-inclusive ban covering chemical weapons as well. The US delegation views it as a serious effort to make possible rapid negotiation of a convention along lines the US favors.

With regard to CW, Moscow's draft would only commit parties to conduct "good faith" negotiations on curbing such weapons. A treaty review conference to be held five years after entry into force would insure that such a commitment was being honored. The US has accepted such language in the UK draft convention that presently enjoys Western support.

The Soviet delegation in Geneva has thus far offered no explanation for Moscow's abrupt abandonment of its previous position. Moscow made a very similar switch in 1969 on the seabeds treaty, however, accepting a ban restricted to weapons of mass destruction after having held out for months for an all-inclusive ban. The timing of the move--it coincides with the opening of the 24th Soviet Party Congress--suggests that the Soviets may try during the speech-making to portray it as fresh evidence of Moscow's good faith and flexibility in pursuing limited disarmament measures.



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FINLAND: The seven-week metal workers' strike ended yesterday in a settlement which represented a setback to the Stalinist wing of the Communist Party.

The metal workers' strike was part of the larger malaise created by the dispute between the moderate and Stalinist wings of the Communist Party and the subsequent tensions created between the Communist and non-Communist sectors in labor and government. The Stalinists had consistently opposed the government's economic stabilization program worked out by President Kekkonen, while the moderate Communists, after supporting the program in principle, came out against its implementation for fear that they would lose the initiative to their more extreme party colleagues.

Despite the fact that the first two wage offers made to the metal workers were well above the guidelines set by the Kekkonen program and were warmly recommended by the union's Social Democratic leadership, the workers accepted Stalinist arguments that rejection and strike action would result in a still fatter pay envelope. Opinion began to shift, however, when workers were exposed to the strong-arm tactics and verbal violence of the Stalinists, who led physical attacks on Social Democrats urging acceptance of the even higher third wage offer. The coincident resignation of the Karjalainen government on 17 March because of Communist obstructionism also swayed the metal workers in favor of approval when they voted on 23-24 March.

The settlement of the strike clearly demonstrates the limited appeal of the Stalinists and suggests that any attempts on their part to initiate a wave of wildcat strikes against the economic stabilization program would be resisted. Furthermore, the moderate Communists are now in a position to condemn as irresponsible and counterproductive the Stalinist tactics within the party and labor movement. The biggest gainers, however, are the Social Democrats, who throughout advocated responsibility instead of mere economic gain, but who at the same time never broke labor solidarity.

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USSR: A recently published monograph by Yevsei Liberman, the "father" of Soviet economic reform, appears to have unduly alarmed East European economists by its seemingly conservative bent.

Economists at the prestigious Belgrade Institute of Politics and Economics viewed the new booklet's emphasis on central planning as a retreat into conservatism by this formerly "liberal" Soviet economist. They interpreted it as an attack on reform ideas in the Soviet Union, which in turn could have repercussions on reform experiments in Eastern Europe.

The booklet, however, appears to be little more than a restatement of the concepts expressed by Liberman in the early 1960s and a defense of the Soviet economic reform of 1965. He stresses that the reform was not meant to replace or circumvent the system of central planning but rather to reinforce it by drawing the producing enterprise into the planning process. He criticizes the Western press for exaggerating the role of profits, saying that their only function is to facilitate central planning and management.

He praises the success of the reform to date but notes some shortcomings in its implementation. Some enterprises and ministries, for example, tend to adhere to the traditional success criteria of quantitative targets. Liberman's inadequate solutions are to "strengthen accounting relations," increase penalties for plan shortfalls, and strengthen the education of cadres in the spirit of state discipline. Actually, the reforms have had only a marginal impact on the economy's performance because of bureaucratic party opposition and a failure to change the economy's basic operating principles.

The timing of the release of this booklet suggests that a movement may be afoot to underscore the virtues of central planning in preparation for the

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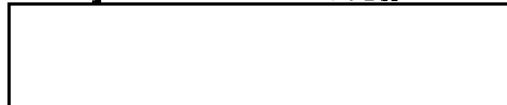
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24th party congress. Alternatively, it could be viewed as a defense of the reforms of 1965 against renewed attacks to preclude any further shift in the attitude of the Soviet leadership toward an even more conservative position.



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BELGIUM: The Banque Nationale has lowered its discount rate by a half point to six percent to stem the inflow of US dollars.

To counteract the effect of the lowered discount rate on domestic credit expansion, the Belgian authorities have extended to 30 September the commercial bank credit ceilings scheduled to expire 31 March. As the Belgian economy is operating at virtually full productive capacity, Belgian authorities hope that continued credit controls will enhance their chances of checking inflationary pressures generated by the recent introduction of the value-added tax and current widespread demands for higher wages.

The reduction of the Belgian discount rate is now likely to increase the pressure on West Germany's monetary authority to reduce its discount rate. Bonn has resisted this step because of continuing domestic inflationary pressure.

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WEST GERMANY - ROMANIA: High-level economic talks may foreshadow closer commercial ties between the two countries.

West German Economics Minister Schiller, in his discussions with Romanian Foreign Trade Minister Burtica, said that Bonn is prepared to postpone debt payments due in the second half of 1971 until the end of the year, if the continuing effects of last year's floods made this desirable. Schiller also suggested that Bonn might find it possible to extend additional credits at relatively moderate interest rates.

For his part, Burtica said that Bucharest was drafting a law on joint ventures that would permit the creation of joint German-Romanian firms; Romania would have exclusive ownership and majority interest. He expressed the hope that German investments under this law, passed in the meantime on 17 March, would be made in the chemical, petrochemical, machinery, and food-processing industries. Burtica also mentioned that on the basis of his visit to Peking last fall, there might be possibilities for "joint projects involving German and Romanian foreign trade undertakings" in Communist China.

Further economic discussions probably will take place during the visit of West German President Heinemann to Romania in May.

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TURKEY: The new government headed by political moderate Nihat Erim, which assumed office last Friday, will submit its program to Parliament sometime this week. Although the program will face some debate, an overwhelming vote of confidence is a foregone conclusion. Erim's government has been described by some observers as a "brain trust" cabinet because it leans heavily on professional experts. The 25-member government also includes ten representatives of three of the four largest political parties, although none is a key political figure. The naming of two former army officers who played roles in the 1960 military revolution as ministers of state will permit continuing close military supervision of the government; one is to be deputy prime minister. Erim has stated that there will be no change in Turkey's foreign policy.



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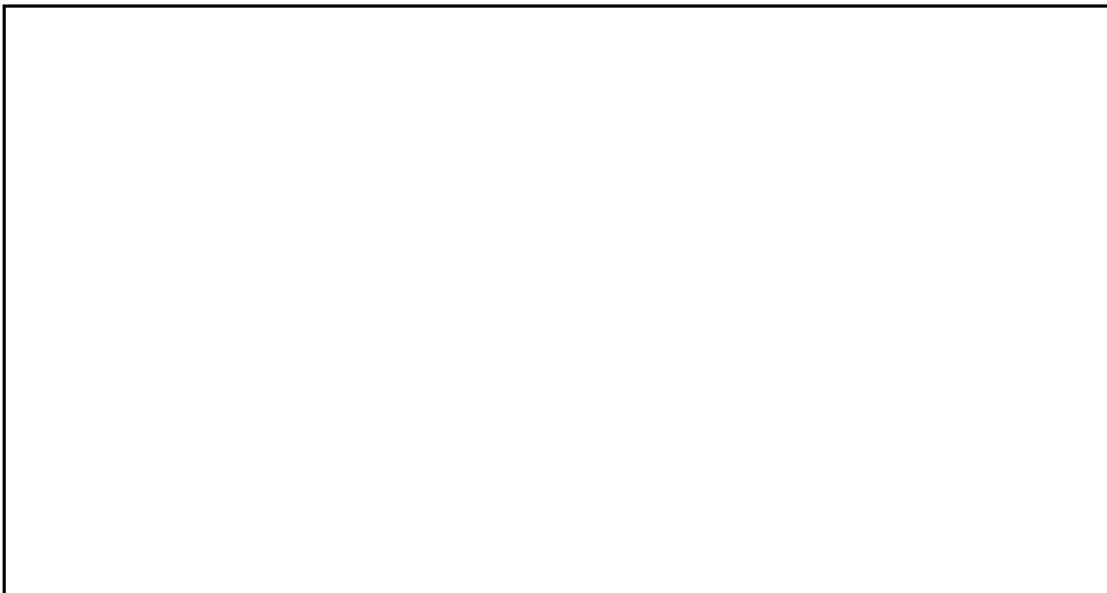
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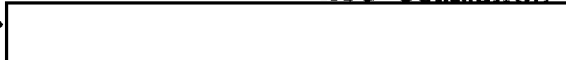
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INDIA: The government has decided to use Western equipment and expertise for deep-water oil exploration. Soviet technology, on which India has relied in the past, is inadequate for this type of exploration. New Delhi has signed a contract with the US Offshore Company to provide drilling equipment, and with the Japanese Mitsubishi Company to construct a drilling platform for use in the so-called Bombay High, a promising area in the Gulf of Cambay, according to Indian-Soviet surveys made five years ago. The US company also will provide technical assistance and training to Indian technicians. The new contract will not help India's critical crude shortage very soon, however, because drilling will not begin for two years and the actual delivery of any oil found will not commence for several more years.



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